

SENATE BILL REPORT

SB 5417

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 17, 2009

Title: An act relating to flood insurance coverage.

Brief Description: Requiring the disclosure of information on flood insurance coverage.

Sponsors: Senators Berkey, Franklin, Shin and Roach; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/03/09, 2/17/09 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5417 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: Each insurance policy sold must state the risk insured against. Damage by flood is a risk to which a home may be subject. Insurers often exclude flood coverage from homeowners' policies sold in Washington.

The National Flood Insurance Program (NFIP) was established by the federal government in 1968 to provide people with flood insurance and to protect communities from potential flood damage through floodplain management. Participation in the program by local governments is optional and includes requirements for addressing floodplain management.

The NFIP reports that approximately 32 insurers participate in the program in Washington. NFIP policies are not regulated by the Office of Insurance Commissioner (OIC). The Federal Emergency Management Agency (FEMA) establishes the minimum training requirements for insurance agents who offer federal flood insurance policies.

Summary of Bill (Recommended Substitute): When policies are issued and when they are renewed, insurers must give clear and conspicuous written notice to their home and condo owners, renters, and fire insurance policyholders that the policies do not cover damage

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caused by flooding. They must also provide information about how to contact the NFIP. A satisfactory example of this notice is provided.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): Instead of yearly notices, the notice must be given when the policy is issued and when it is renewed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: For policies that do not provide flood insurance, people need to be aware of this fact and of how to go about getting flood insurance if they want it.

Persons Testifying: PRO: Drew Bouton, OIC.